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Report Highlights:

Chile's salmon and trout industries reduced production and exports in an effort to reverse a dramatic fall in export prices that resulted from the continuous record expansion for the last decade. In the coming years the industry will expand further but a much lower rate.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1], CI

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Executive Summary

Salmon and trout (Salmonid) production are the main components of Chile's edible fisheries sector. After almost 20 years of continuous growth, Chile's exports declined in value from \$973 million in 2000 to only \$964 million in calendar 2001. Although export volumes expanded close to 46 percent during 2001, total revenues declined due to a significant fall in export prices. For 2002 and 2003, an expansion is expected again, but significantly smaller. Total Chilean aquacultural output will continue to grow based on development and growth of salmon, trout and new species like turbot. Total exports in 2002 could reach over US\$1 billion according to a recent projection published by the Salmon Producers Association. Exports of value-added salmon and trout products are expected to expand at a faster rate than whole eviscerated salmon. The export share of these processed products has increased from 29 percent in 1995 to over 59 percent of the total export value in 2001.

According to industry sources, presently an estimated 64 percent of total investments in the salmon industry belong to Chilean investors, but foreign investments has been growing fast in the last five years. Out of the 36 percent foreign investment, Norway accounts for 15% and the remainder belongs to investors from Japan, the Netherlands, Canada and Spain, in descending order.

Note: A Fisheries Products Strategic Indicators Table will not be provided as Chile does not import salmon products and is only a marginal importer of total edible fish products.

Production

In marketing year 2001 (Jan-Dec), Chile's production of whole eviscerated salmon grew significantly when compared with both the previous year and our last forecast. Excellent economic returns during the last few years, together with increased investments in the sector, has resulted in a larger than expected increase in production. For MY 2002, a considerably smaller expansion in production is expected. Since Chile's salmon production is mainly for export, producers are reducing output in an effort to reverse the decline in export prices. In MY2001, although export volumes expanded significantly, returns fell almost 1 percent for salmon and trout, to a total of US\$964 million. For MY 2002 and 2003, production and export volumes are not expected to expand significantly. However economic returns should increase moderately as prices recover in the main export markets. The long term export forecast for whole eviscerated salmon, is much more moderate than in the past, as demand shifts to value-added salmon products.

Atlantic and Silver (Coho) salmon are the main species produced in Chile, with marginal numbers of King and Cherry salmons. In MY2001, over 64 percent of total salmon production was of the Atlantic species, with Coho salmon representing the remaining 35 percent of total production. Atlantic salmon have an average harvesting weight of 4 to 5 Kgrs, while Silver (Coho) Salmon average 3 to 4 Kgrs, and King and Cherry Salmon average 3 to 5 Kgrs. Atlantic Salmon reach this weight in 10 to 24 months in the ocean, while Silver Salmon spend an average of 8 months in fresh water followed, by 10 to 12 months in the ocean.

Chile's excellent natural conditions promote efficient, low-cost salmon production year around. Ideal water temperatures, which fluctuate from 7 to 16 degrees Celsius in the southern fresh water lakes of Region Ten, and in the ocean south of Puerto Montt, have contributed to the industry's success. Since the lakes and fjords in these regions do not freeze during the winter months, the salmon grow faster and reach commercial sizes 6 to 12 months earlier than in Norway, the world's leading producer. This provides a significant economic advantage over competitors. Additionally, the cost of land, facilities and labor are low in these regions. Ample supplies of relatively inexpensive, high quality Fish meal and Fish oil (the principal feed inputs) further support the profitability of the sector in that feed comprises 60 percent of the total cost of production. Most of the feed used by Chilean salmon producers is manufactured domestically, using the most advanced production and processing technology available.

Based on these natural comparative advantages, Chile's salmon production and exports could expand further in the coming years depending upon market conditions. Chile produces and exports a variety of salmon products, including fresh/chilled, frozen, canned, dried and salted, smoked and dehydrated salmon. Although the most important component of the sector is fresh/chilled and frozen whole/eviscerated salmon, exports of value-added salmon products are increasing at a fast rate.

The Chilean salmon and trout industry is composed of more than 70 companies, employing directly and indirectly over 40,000 workers, most of which are located in Regions Ten, Eleven and Twelve. Aquiculture is conducted in 234 coastal concessions for which the companies pay user fees to the government .

Consumption

As Chile has no official statistics for fresh and chilled domestic consumption, figures given in the PS&D are estimated. We revised our consumption figure for MY2001 based on estimate from the Salmon Producers Association. Although domestic consumption of both farmed and "wild" salmon has been increasing during the last few years, it is still not a significant portion of total demand. This is due primarily to the fact that only a relatively small percent of the population can afford salmon products, and because fish in general is less popular than red meat and poultry. However, evidence of the gaining popularity of salmon is the increase in the number of restaurants and fish markets that offer the product. Domestic consumption of smoked salmon also appears to be on the rise based on the selection offered in the major supermarket chains.

As yet, no wholesale marketing and distribution system for salmon exists. Supermarket chains buy directly from the producers or, in some cases, internally source the product from their own salmon farms. Up to now there has not been comprehensive promotional campaigns to increase domestic consumption. Because Chile's salmon producers have been mainly focused on the export market. However recently salmon producers association began a domestic promotional campaign in the production regions. This promotional campaign is designed to both increase domestic consumption and provide good performance report for the salmon industry.

Prices

The average export price for whole eviscerated fresh/chilled and frozen salmon fell again in 2001, from \$3.97/Kg. in 2000 to \$2.48/Kg. FOB in 2001. The total export value of exports of whole eviscerated fresh and frozen salmon fell from \$321 million in 2000 to \$284 million in 2001.

Trade

Based on a significant expansion in production, Chile's whole/eviscerated salmon exports were much larger in MY 2001 than both our previous forecast and last year's exports. A small to moderate expansion in returns is expected in the current and next marketing years, as producers have reduced output in an effort to reverse falling export prices and economic returns. In the coming years, the expansion in whole eviscerated salmon exports is expected to slow, as exports of value-added salmon and trout products will likely increase, as producers try to gain higher profits. Exports of value-added salmon and trout products increased another 6 percent in MY2001.

Close to 90 percent of Chile's whole eviscerated salmon production was exported to Japan, Brazil and the United States in 2001. Japan takes just over 45 percent of total salmon exports with a value of US\$435 million, followed by the U.S. with 38 percent of total exports and a value of US\$364 million. Almost all Pacific Salmon (Coho) is frozen and exported to Japan, mostly via ocean freight. Atlantic salmon is normally marketed fresh/chilled and transported via air freight to markets in Europe and the United States.

Table 1: Chile - Exports of Value-Added Salmon

Table 1: CHILE - Exports of Value-Added Salmon and Trout Products					
(US\$ Thousand)					
Product	1997	1998	1999	2000	2001
Fresh Filet	142,568	197,922	203,774	278,470	280,119
Frozen Filet	94,785	108,031	119,063	170,826	201,443
Smoked	10,210	8,858	12,995	19,399	20,149
Dried & Salted	40,938	17,979	17,516	18,665	14,876
Canned	2,261	7,315	7,798	8,441	7,240
Other	22,988	30,250	29,070	49,881	52,875
Total	313,748	370,355	390,216	545,682	576,702
% of Total Salmon Exports	46.9	51.9	47.7	56.1	59.8

Other Uses

Other Use/Loss figures in the PS&D table correspond to the estimated salmon production which goes to other value-added production like "fillet and meat". This figure is the residual of total salmon production (which includes "whole eviscerated") and the export figure, plus an estimate for domestic consumption.

Stocks

No stocks of fresh chilled and frozen salmon are kept by producers and/or exporters.

Policy

The Chilean government plays no role in salmon and trout production and exports.

Marketing

Shortly after Chile and the EU finalized their negotiation for a free trade agreement, scheduled to take effect in January

of 2003, the EU antidumping commission accepted a case from producers in Scotland and Ireland. Chilean producers are debating the validity of the case, since they mainly export frozen salmon to the EU market and EU producers supply mainly fresh product to that market. They argue the two type of products are completely different and are confident that the determination will be in their favor. A total of 4 producer/export companies are being investigated and a preliminary study is not expected to be released until April of 2003. Frozen whole/eviscerated salmon exports to th EU increased from 803 M.T. in 1996 to 2,493 M.T. in 2001.

Antidumping measures taken by the US back in 1997 against Chilean producers for unfair competition, recently were lifted for another 4 Chilean producers/exporters. The origin case, brought by producers from the State of Maine resulted in a 4.57 percent duty for imports from Chile with additional duties for individual export companies. However, now an estimated 71 percent of exports to the US are free of additional duties.

PS&D Table

PSD Table						
Country	Chile					
Commodity	Salmon, Whole/Eviscerated				(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	0	0	0	0	0	0
Total Production	255000	312644	280000	320000	0	340000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	255000	312644	280000	320000	0	340000
Intra-EC Exports	0	0	0	0	0	0
Other Exports	90000	114704	100000	120000	0	135000
TOTAL Exports	90000	114704	100000	120000	0	135000
Domestic Consumption	720	1680	730	1700	0	1800
Other Use/Loss	164280	196260	179270	198300	0	203200
TOTAL Utilization	165000	197940	180000	200000	0	205000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	255000	312644	280000	320000	0	340000

Export Trade Matrix

Export Trade Matrix			
Country	Chile		
Commodity	Salmon, Whole/Evisce rated		
Time period	Jan - Dec	Units:	M.T.
Exports for:	2000		2001
U.S.	5940	U.S.	6790
Others		Others	
Japan	63096	Japan	88062
Brazil	5525	Brazil	7649
Argentina	1532	Taiwan	2052
Taiwan	1408	Argentina	1941
Venezuela	684	Thailand	1476
So.Korea	429	Spain	1244
Germany	324	China	1002
Canada	261	Venezuela	889
Singapore	249	France	458
Mexico	232	So.Korea	427
Total for Others	73740		105200
Others not Listed	1091		2714
Grand Total	80771		114704